



**Pacific Basin**

**2015  
Interim Results**



**Navigating with resilience**

**Experienced team**

**Exceptional fleet**

**Customers first**



30 July 2015



## 2015 Interim Results – Group Highlights

	1H15	1H14
<b>Net Profit / (Loss)</b>	<b>US\$5.8m</b>	<b>US\$(90.7)m</b>
<b>EBITDA</b>	<b>US\$41.5m</b>	<b>US\$46.9m</b>
<b>Cash Position</b>	<b>US\$392m</b>	<b>US\$320m</b>
<b>Net Gearing</b>	<b>34%</b>	<b>39%</b>

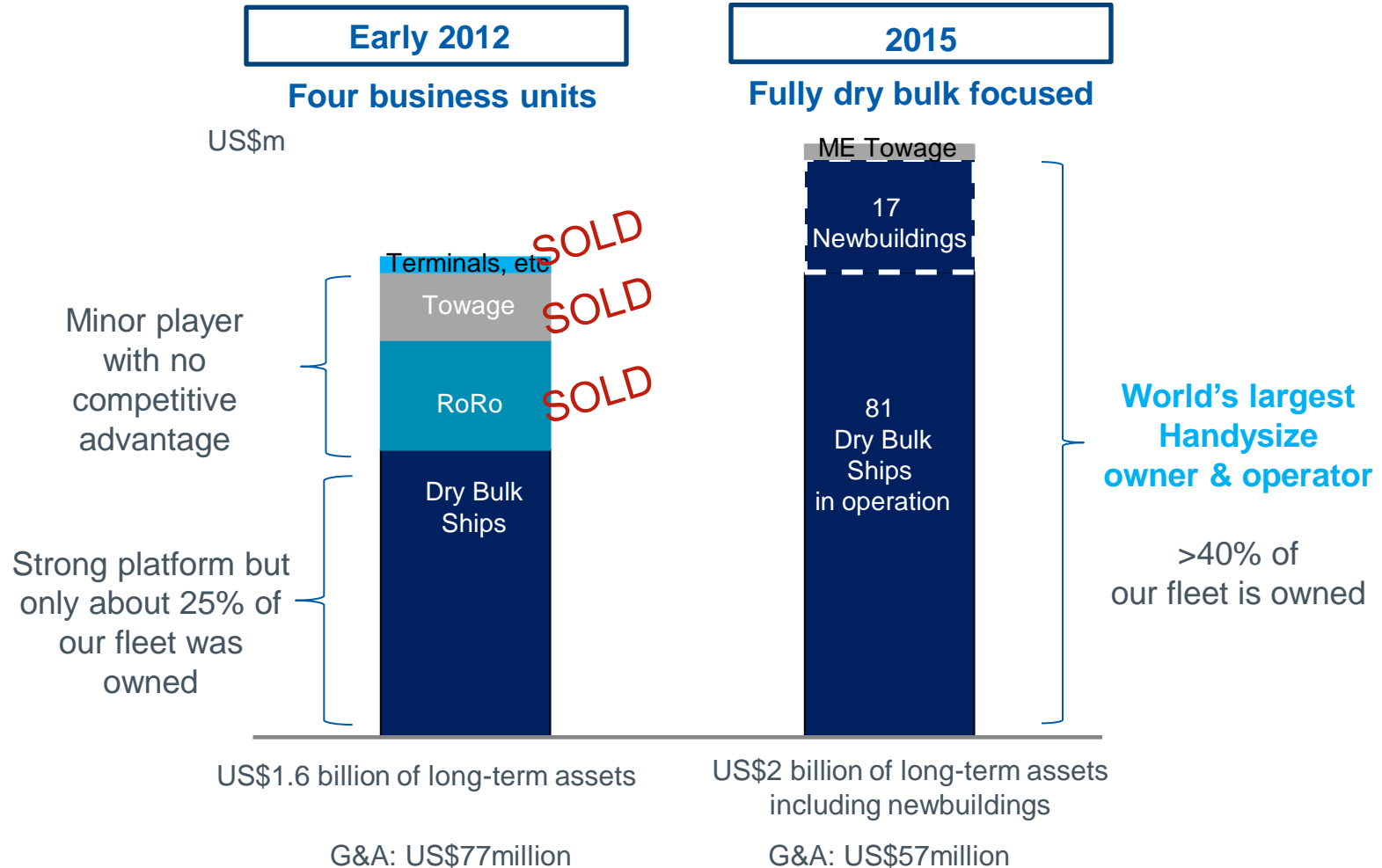
- **Our results were influenced by:**

- One of the weakest ever half-year periods for the dry bulk freight market
- Daily TCE earnings that outperformed the Handysize market index by 60%
- A significant turnaround in our Handymax performance
- Since 2012, approx. US\$20m (or 25% annualised) reduction in G&A, due to refocusing on dry bulk and cost savings initiatives

- **Robust balance sheet :**

- New US\$125m convertible bond repayable 2021
- About US\$500m undrawn committed bank facilities
- Received US\$73m towage sale proceeds
- Dry bulk vessel capital commitments of US\$353m

# Our Increased Focus on Dry Bulk



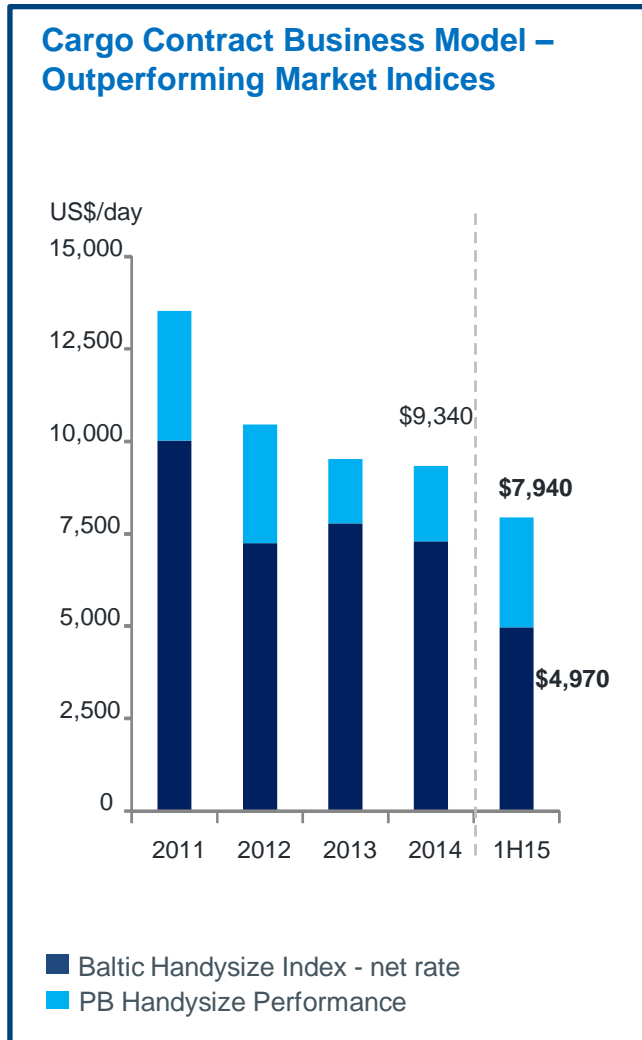
# Pacific Basin Dry Bulk – 1H15 Performance

US\$ million	1H15	1H14
<b>Dry Bulk net loss</b>	<b>(15.4)</b>	(11.4)
▪ Handysize contribution	(0.6)	26.2
▪ Handymax contribution	10.4	(10.7)
▪ Post-Panamax contribution	2.7	2.7
▪ Direct overheads	(24.6)	(24.7)
▪ Indirect overheads	(3.3)	(4.9)
<b>EBITDA</b>	<b>39.3</b>	49.5
<b>Vessel net book value</b>	<b>1,535</b>	1,545

- 60% and 49% outperformance vs market rates (Handysize and Handymax)
- Positive turnaround in Handymax as concentrating on key trades
- Chartered in cost reduced by redelivery of medium & long-term charters, instead taking advantage of low cost short-term & index charters
- Maintained good control of our operating costs and intensified our efforts to reduce costs without compromising safety and customer service

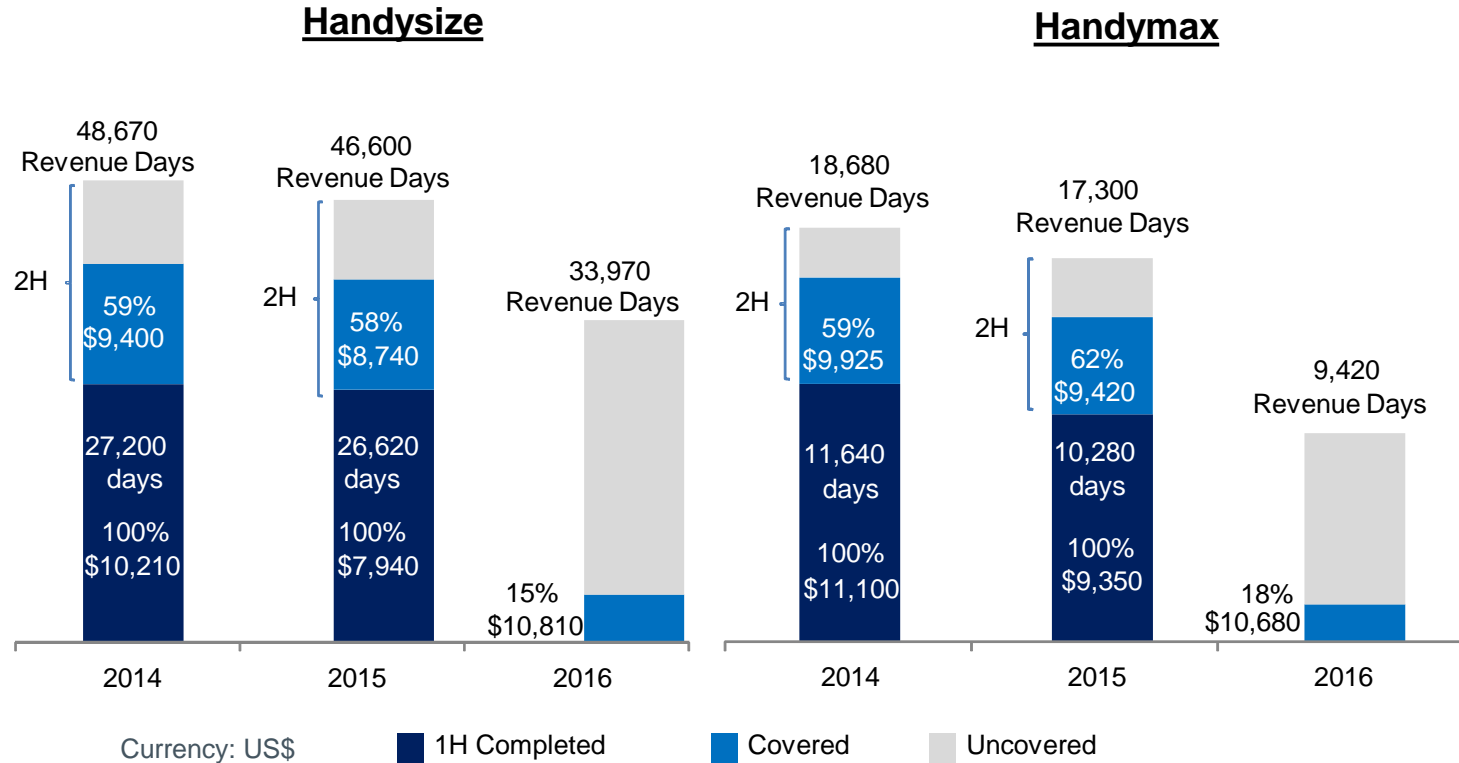


# Cargo System Business Model – Outperforming Market Rates



- Experienced staff & global office network  
– Direct end-user interaction
  - Large fleet of high-quality substitutable ships
  - Large portfolio of cargo contracts & relationships  
– No outward time-charters
  - High laden percentage (minimum ballast legs)
- ➔ Average premium last 5 years = US\$2,400/day

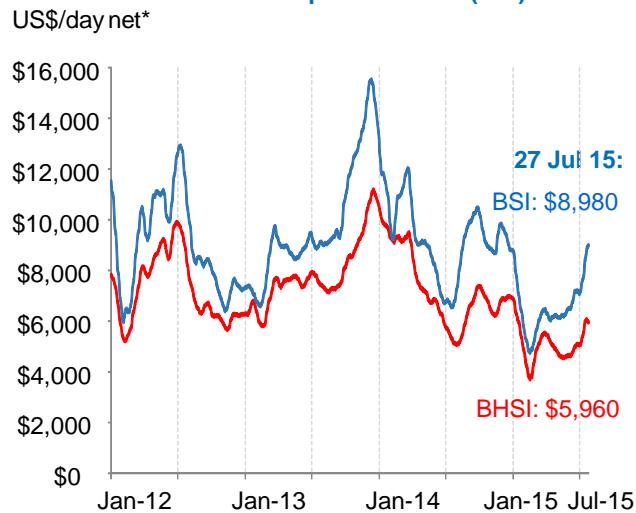
# Pacific Basin Dry Bulk – Earnings Cover



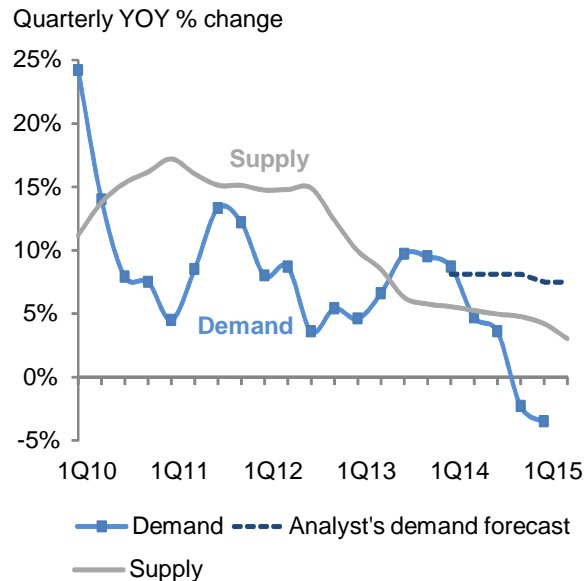
2014 data as announced at July 2014

- Our cover provides a degree of earnings visibility - ship operators typically face significant exposure to spot market
- 2015 uncovered days excludes revenue days related to inward chartered vessels on index-linked rates

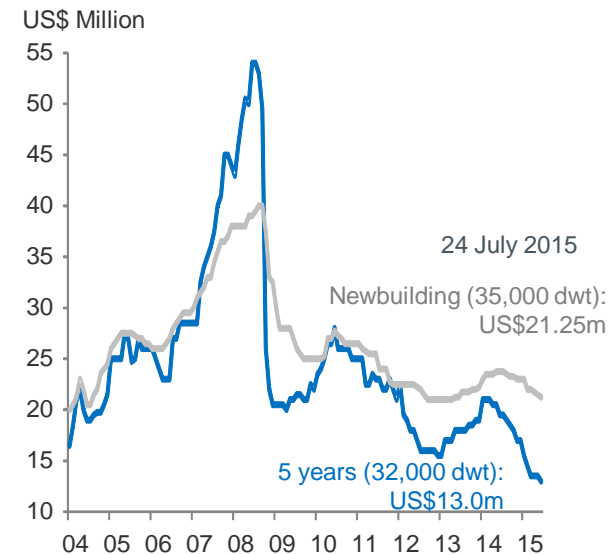
## The Market is Weak Baltic Handysize Index (BHSI) & Baltic Supramax Index (BSI)



## Total Dry Bulk Supply & Demand



## Handysize vessel values



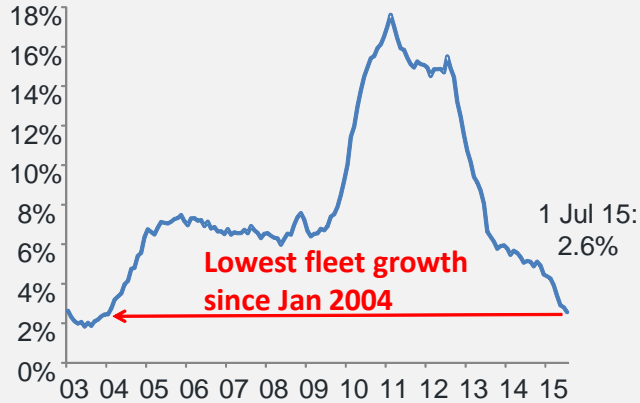
Reversal of market sentiment by the end of 2014 from positive to negative:

- Lower imports of coal to China (-60mt / -38% YOY in 1H15)
- Indian thermal coal imports +22mt/ +34% YOY, but not enough to offset reductions in other coal trades
- China has sourced bauxite & nickel shipments from other countries due to Indonesian export ban since early 2014, but demand has not returned to pre-2014 levels



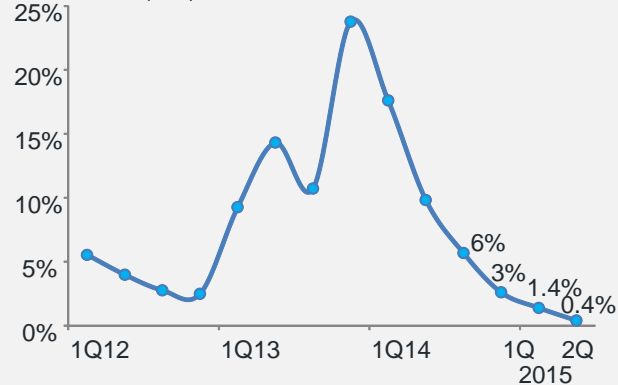
## Fleet Growth is Reducing

Total dry bulk YOY Net Fleet Growth (%)



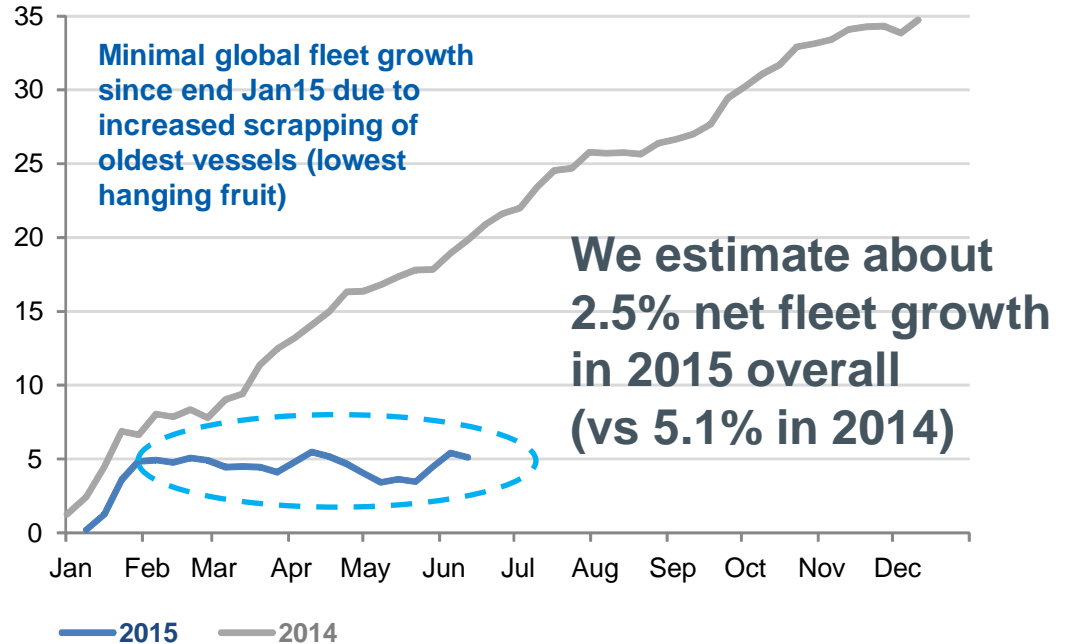
## New Vessel Ordering is Down

Per quarter annualised in % of fleet (dwt)



## What is going to happen to fleet growth in 2015?

Mil Dwt



Source: Clarksons Platou



# Dry Bulk Self-Correcting Factors

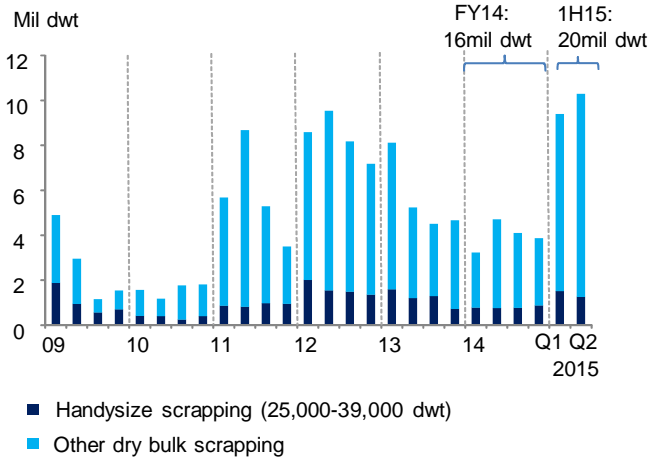
## Supply

Number of Chinese yards delivering Handy bulk vessels decreased from 54 in 2012 to 21 in 2015

Delivery Slippage

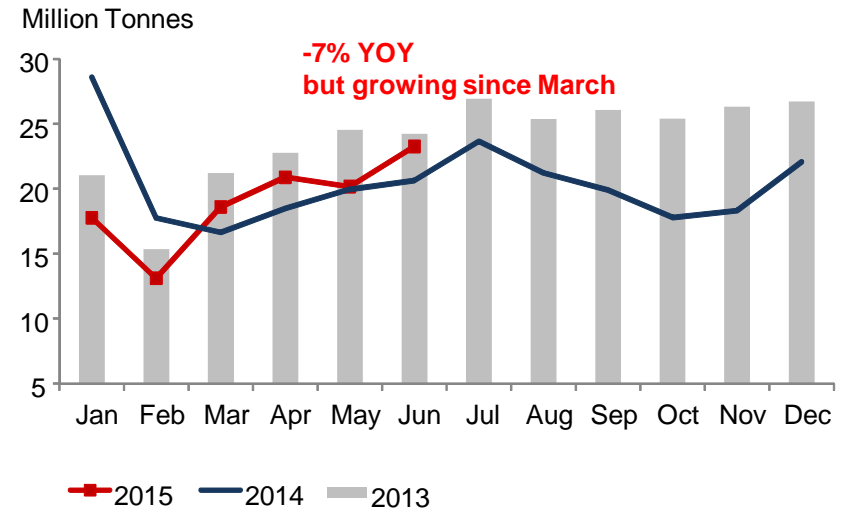
Orderbook Cancellations & Conversions

## Increased Scrapping



## Demand

### Chinese Minor Bulk Imports



Chinese imports of 7 minor bulks including Logs, Soyabean, Fertiliser, Bauxite, Nickel, Copper Concentrates & Manganese Ore

These 7 commodities make up over one third of the cargo volumes we carry

Source: Clarksons Platou, Bloomberg



## 2015 Interim Financial Highlights

US\$m	1H15	1H14
<b>Pacific Basin Dry Bulk</b>	<b>(15.4)</b>	(11.4)
<b>PB Towage</b>	<b>1.4</b>	(9.2)
<b>Others</b>	<b>(0.6)</b>	(0.9)
<b>Underlying loss</b>	<b>(14.6)</b>	(21.5)
▪ Unrealised derivative income/(expense)	<b>16.7</b>	(0.3)
▪ Sale of interests in bunker tanker joint venture	<b>3.7</b>	-
▪ Towage impairments and provisions	-	(63.9)
▪ RoRo exchange loss	-	(5.0)
<b>Profit/(Loss) attributable to shareholders</b>	<b>5.8</b>	(90.7)

- Dry bulk affected by one of the weakest ever dry bulk half-year periods
- We sold our 50% shares in our New Zealand bunker tanker for a US\$3.7m profit
- Our significant reduced Towage operation generated US\$1.4m profit



# 1H15 Pacific Basin Dry Bulk

Handysize		1H15	1H14	Change
Revenue days	(days)	26,620	27,200	-2%
TCE earnings	(US\$/day)	7,940	10,210	-22%
Owned + chartered costs	(US\$/day)	7,870	9,120	+14%
Handysize contribution	(US\$m)	(0.6)	26.2	-102%
Handymax				
Revenue days	(days)	10,280	11,640	-12%
TCE earnings	(US\$/day)	9,350	11,100	-16%
Owned + chartered costs	(US\$/day)	8,330	11,890	+30%
Handymax contribution	(US\$m)	10.4	(10.7)	+198%

- Reduction in Handymax days reflected changed strategy with tighter trade areas
- Weak market condition impacted both Handysize and Handymax TCE
- Redelivering of high cost Handymax charters

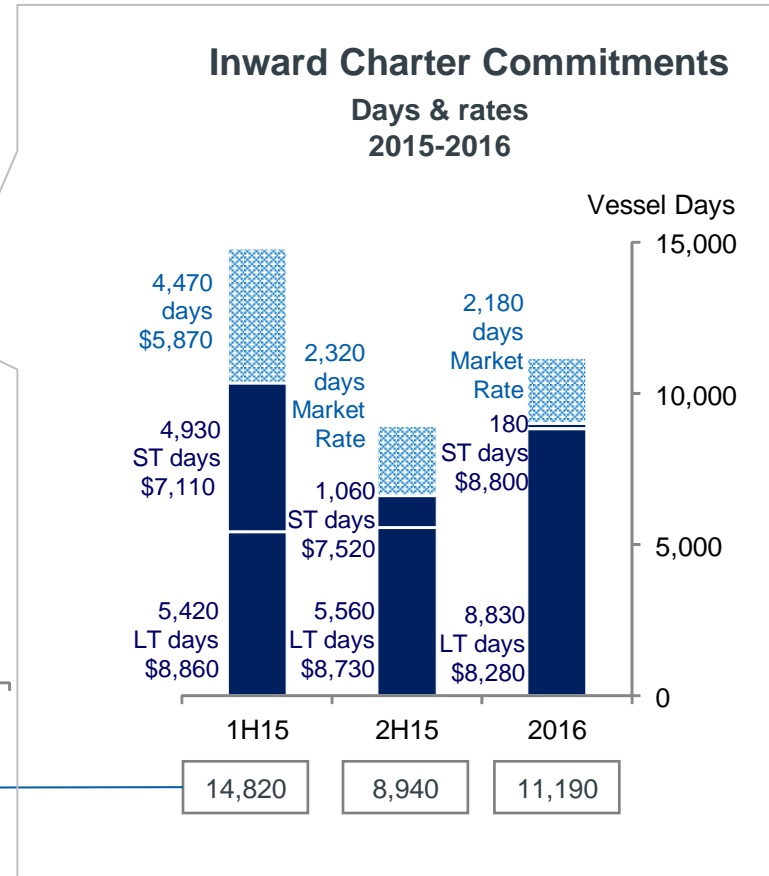
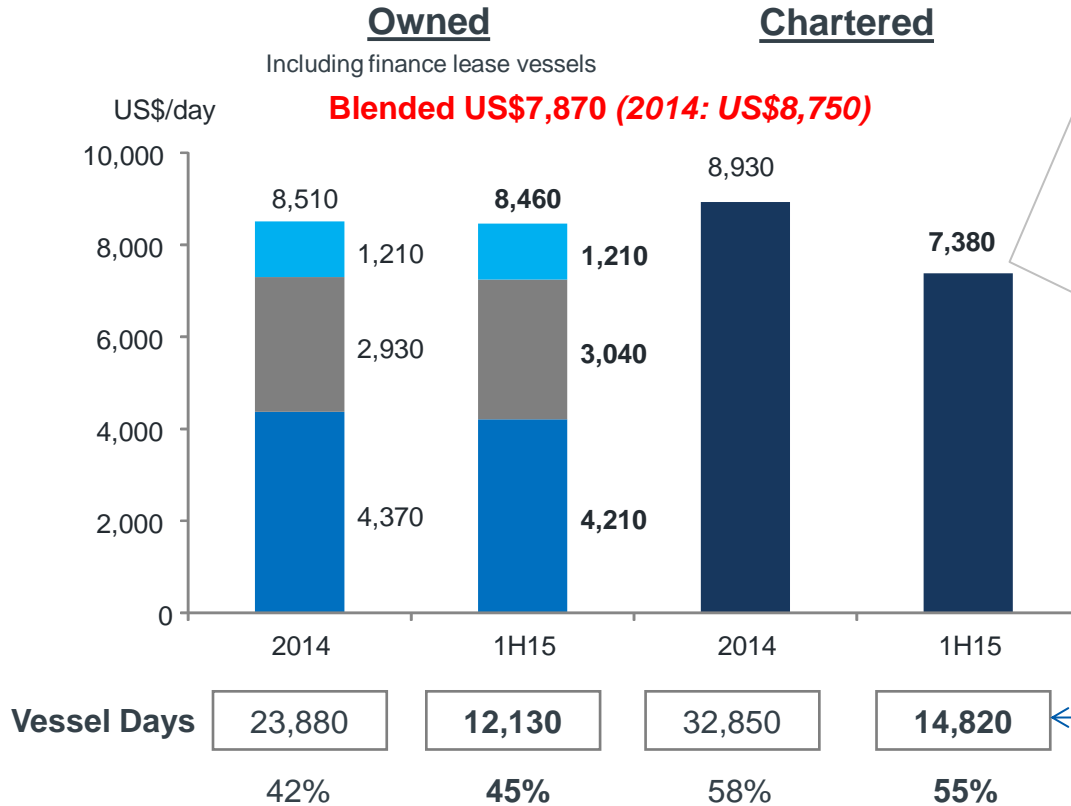


# 1H15 Daily Vessel Costs – Handysize

## Pacific Basin

- Finance cost
- Charter-hire : Short-term (ST) / Long-term (LT)
- Depreciation
- Opex
- Charter-hire : Index-linked

As at 30 June 2015



- Direct overheads of US\$660/day
- Charter-hire cost benefited from low short-term and index-linked vessels

\* Chartered rates are shown net of provision



# 1H15 Daily Vessel Costs – Handymax

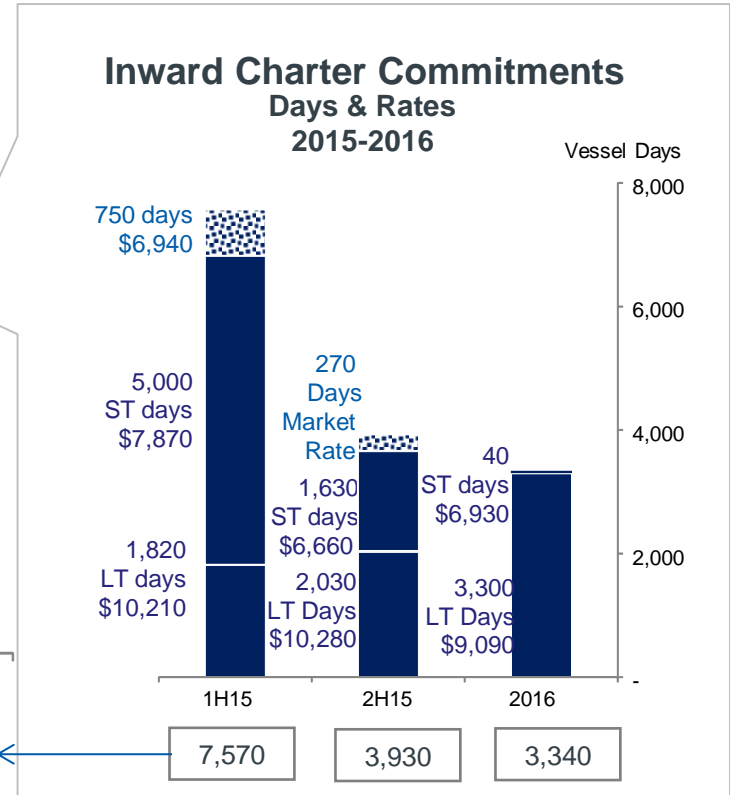
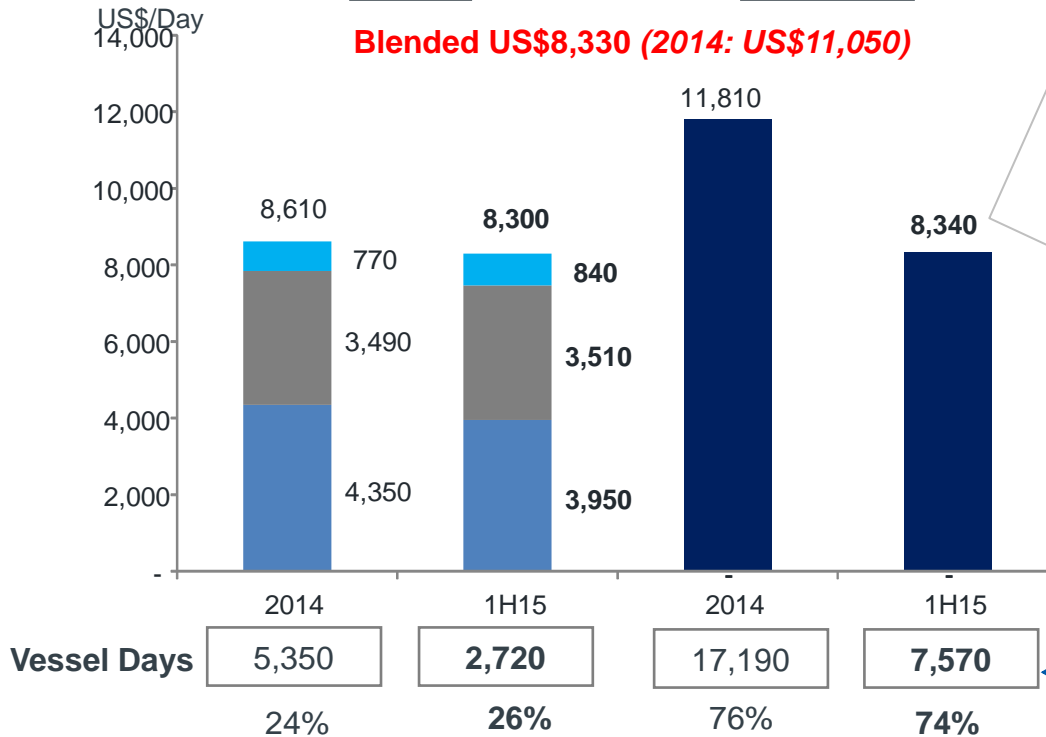
## Pacific Basin

- Finance cost
- Charter-hire : Short-term (ST) / Long-term (LT)
- Depreciation
- Charter-hire : Index-linked
- Opex

As at 30 June 2015

### Owned                      Chartered

**Blended US\$8,330 (2014: US\$11,050)**



- Direct overheads of US\$660/day
- Charter-hire cost benefited from low cost short-term and index-linked vessels

\* Chartered rates are shown net of provision



## 1H15 Balance Sheet

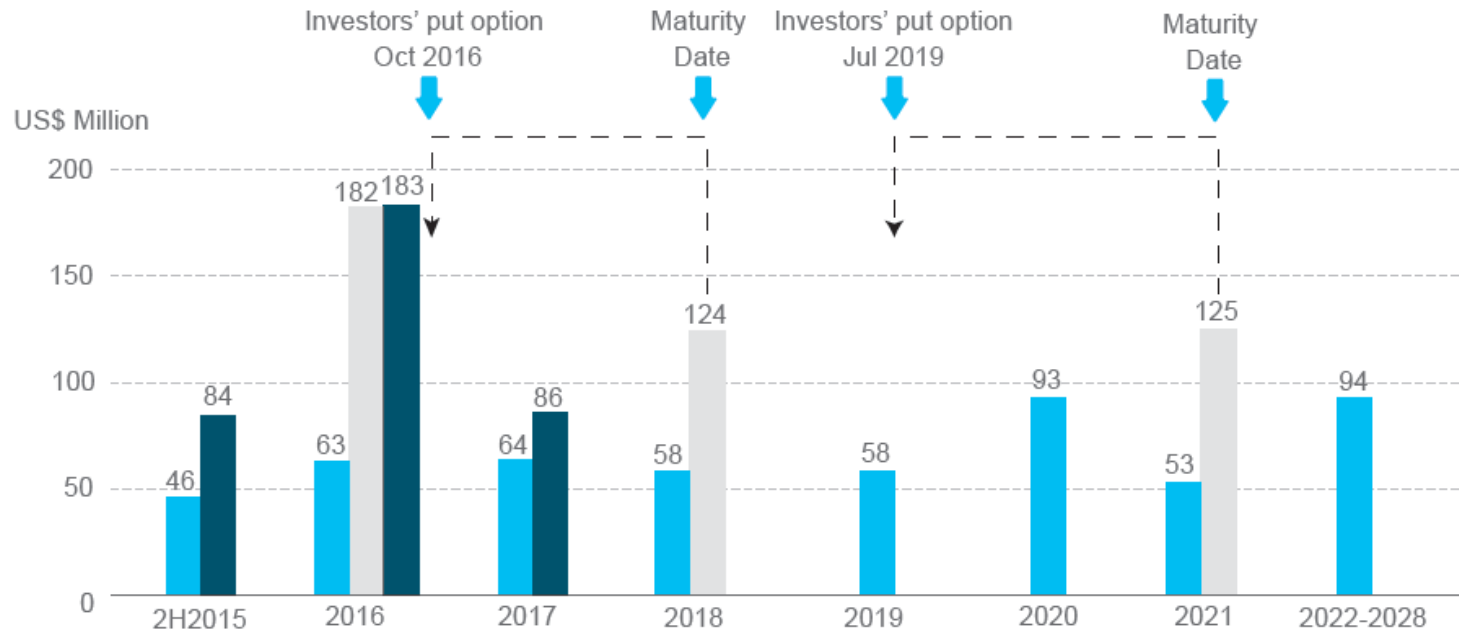
US\$m	PB Dry Bulk	PB Towage	30 Jun 15	31 Dec 14
Vessels & other fixed assets	1,535	39	<b>1,578</b>	1,585
<b>Total assets</b>	<b>1,703</b>	<b>46</b>	<b>2,194</b>	<b>2,308</b>
Total borrowings	930	-	<b>930</b>	1,000
<b>Total liabilities</b>	<b>1,144</b>	<b>9</b>	<b>1,199</b>	<b>1,306</b>
Net assets	559	37	<b>995</b>	1,002
Net borrowings (total cash <b>US\$392m</b> )			<b>538</b>	636
Net borrowings to net book value of property, plant and equipment <b>KPI</b>			<b>34%</b>	40%

- Vessel average net book value: Handysize \$15.7m, 9.5 years  
Handymax \$23.3m, 6.4 years
- KPI: net gearing below 50%

Note: Total includes other segments and unallocated

As at 30 June 2015

## Schedule of Repayments and Vessel Capital Commitments



- Bank borrowings (US\$513 million) & finance lease liabilities (US\$16 million due 2H 2015) – undrawn committed bank facilities US\$498m
- Convertible bonds, face value US\$431 million, book value US\$401million
- Vessel capital commitments (US\$353 million)



# Cash Flow

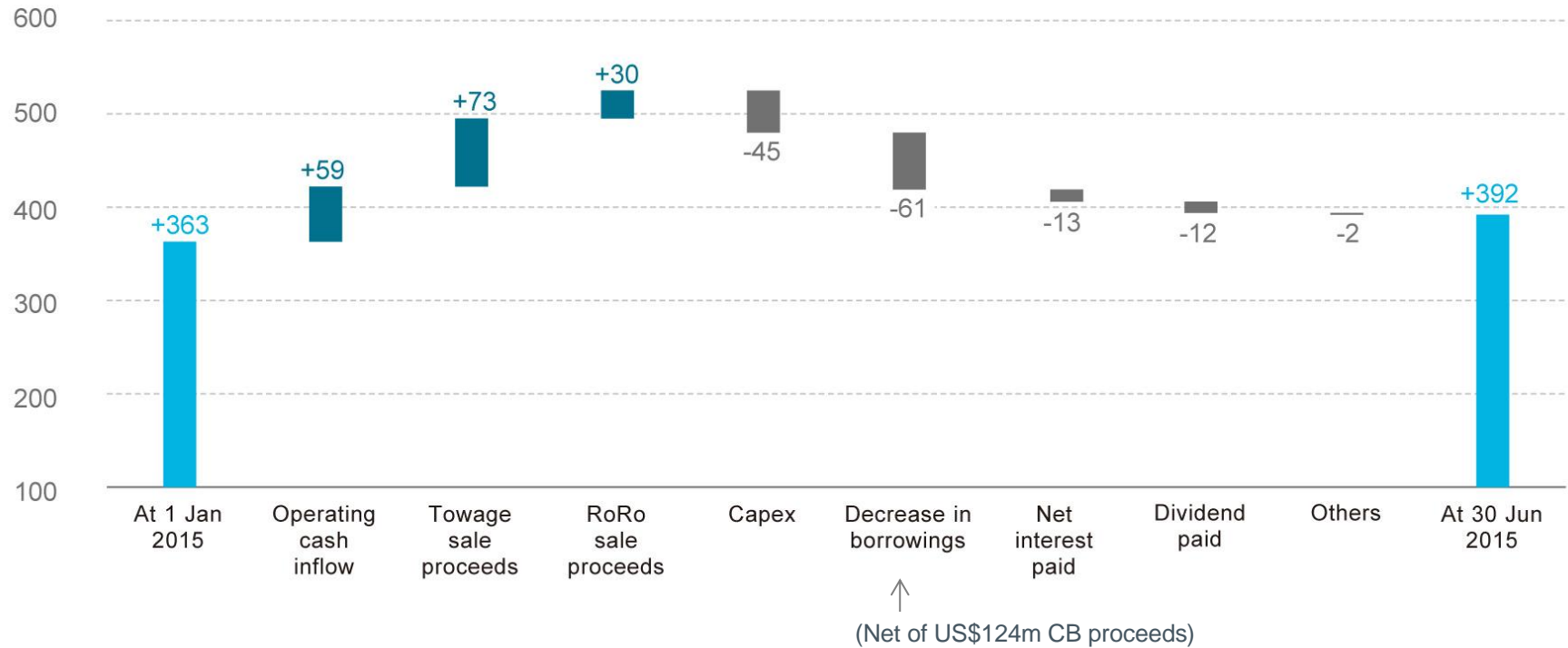
As at 30 June 2015

- Cash and deposits balance
- Cash inflow
- Cash outflow

<b>Operating cash flow</b>	<b>US\$58.8m</b>
<b>EBITDA</b>	<b>US\$41.5m</b>

## Sources and Uses of Group Cash Flow in 1H 2015

US\$ Million

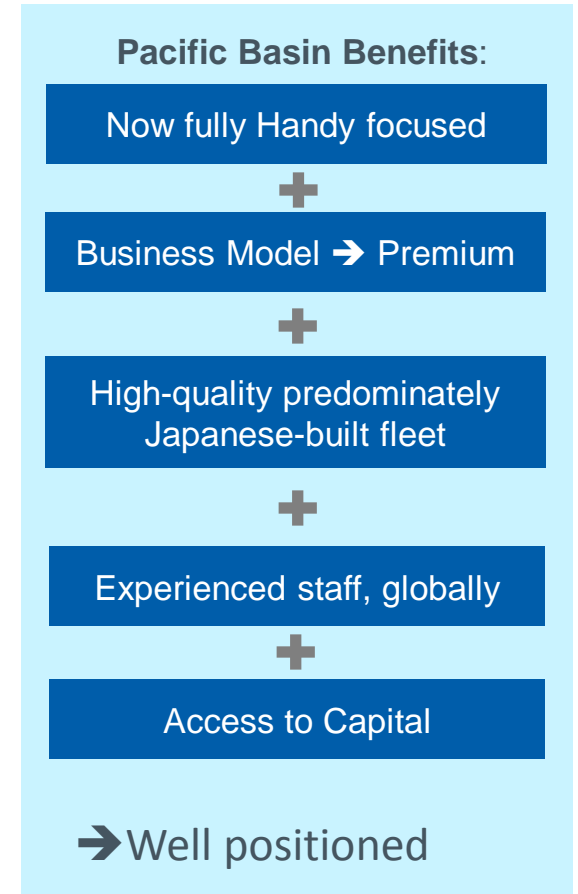


## Dry Bulk Outlook

- We anticipate weak market rates in medium term and we continue to manage our business accordingly
- Supply: Scrapping, NB cancellations & postponements and very little new ordering are helping
- Demand: traditionally improved seasonal cargo flows in 2H may benefit from China's need for some restocking and low commodity prices
- However, health of dry bulk shipping is undermined by oversupplied global fleet and reduced growth in dry bulk commodity demand – especially coal into China...
- We expect it will take longer for a healthier market to be restored

## Strategy

- Fully focused on our core world-leading Handy dry bulk business, now well structured and out of non-core
- Reduce costs, optimise our teams and fleet and cargo combinations
- Redelivering medium and long-term chartered-in ships to reduce cost
- We are relying more on owned ships, supplemented with low-cost shorter-term and index-linked chartered ships



*This presentation contains certain forward looking statements with respect to the financial condition, results of operations and business of Pacific Basin and certain plans and objectives of the management of Pacific Basin.*

*Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of Pacific Basin to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Pacific Basin's present and future business strategies and the political and economic environment in which Pacific Basin will operate in the future.*

## Our Communication Channels:

- **Financial Reporting**
  - Annual (PDF & Online) & Interim Reports
  - Voluntary quarterly trading updates
  - Press releases on business activities
- **Shareholder Meetings and Hotlines**
  - Analysts Day & IR Perception Study
  - Sell-side conferences
  - Investor/analyst calls and enquiries
- **Company Website - [www.pacificbasin.com](http://www.pacificbasin.com)**
  - Corporate Information
  - CG, Risk Management and CSR
  - Fleet Profile and Download
  - Investor Relations:
    - financial reports, news & announcements, excel download, awards, media interviews, stock quotes, dividend history, corporate calendar and glossary
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  - Follow us on Facebook, Twitter and LinkedIn!



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# Appendix: Pacific Basin Overview

- A leading dry bulk owner/operator of Handysize & Handymax dry bulk ships
- Flexible Pacific Basin Dry Bulk business model
  - Large fleet of uniform, interchangeable, modern ships
  - Mix of owned and long-term, short-term chartered ships
  - Operating mainly on long term cargo contract (COA) and spot basis
  - Diversified customer base of mainly industrial producers and end users
  - Extensive network of offices positions PB close to customers
- Also owning/operating offshore tugs and barges in the Middle East
- About 200 vessels serving major industrial customers around the world
- Hong Kong headquarters, 12 offices worldwide, 340 shore-based staff, 3,000 seafarers\*
- Our vision: To be a shipping industry leader and the partner of choice for customers, staff, shareholders and other stakeholders

[www.pacificbasin.com](http://www.pacificbasin.com)  
Pacific Basin business principles



## OUR LARGE VERSITILE FLEET

Fleet scale and interchangeable high-quality dry bulk ships facilitate service flexibility to customers, optimised scheduling and maximised vessel utilisation

In-house technical operations facilitate enhanced health & safety, quality and cost control, and enhanced service reliability and seamless, integrated service and support to customers

## OUR MARKET LEADING CUSTOMER FOCUS & SERVICE

Priority to build and sustain long-term customer relationships

Solution-driven approach ensures accessibility, responsiveness and flexibility towards customers

Close partnership with customers generates enhanced access to spot cargoes and long-term cargo contract opportunities of mutual benefit



## OUR STRONG CORPORATE & FINANCIAL PROFILE

Striving for best-in-class internal and external reporting, transparency and corporate stewardship

Robust balance sheet and strong track record sets us apart as a preferred counterparty

Hong Kong listing & location facilitates good access to capital

Responsible observance of stakeholder interests and our commitment to good corporate governance and CSR

## DEPTH OF STAFF & GLOBAL OFFICE NETWORK

Integrated international service enhanced by experienced commercial and technical staff around the world

Being local facilitates clear understanding of and response to customers' needs and first-rate personalised service

Being global facilitates comprehensive market intelligence and cargo opportunities, and optimal trading and positioning of our fleet

# Appendix: Pacific Basin Dry Bulk – Diversified Cargo

## Our Dry Bulk Cargo Volumes in First Half 2015

### ● Minerals

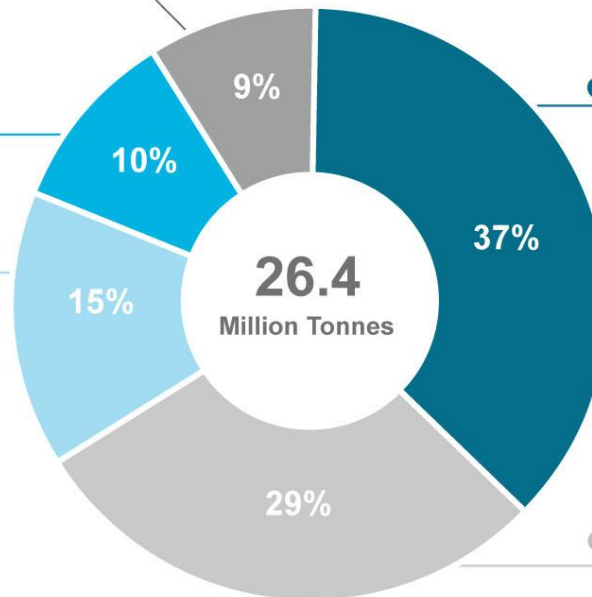
Sand & Gypsum	4%
Salt	3%
Soda Ash	2%

### ● Energy

Coal	5%
Petcoke	4%
Wood Pellets	1%

### ● Metals

Concentrates & Other Metals	7%
Alumina	4%
Ores	4%



### ● Construction Materials

Logs & Forest Products	14%
Steel & Scrap	12%
Cement & Cement Clinkers	11%

### ● Agricultural Products and Related

Grains & Agriculture Products	17%
Fertiliser	10%
Sugar	2%

- Diverse range of commodities reduces product risk
- China and North America were our largest market
- 60% of business in Pacific and 40% in Atlantic


More than  
400 customers!

# Appendix: Fleet List – 1 July 2015\*

## Pacific Basin Dry Bulk Fleet: 243

average age of core fleet: 7.0 years old

	Owned		Chartered		Total
	Delivered	Newbuilding	Delivered <sup>1</sup>	Newbuilding	
Handysize	64	12	78	7	161
Handymax	16	5	37	1	59
Post-Panamax	1	0	1	0	2
<b>Total</b>	<b>81</b>	<b>17</b>	<b>116</b>	<b>8</b>	<b>222</b>



[www.pacificbasin.com](http://www.pacificbasin.com)  
Fleet Details

## PB Towage : 21

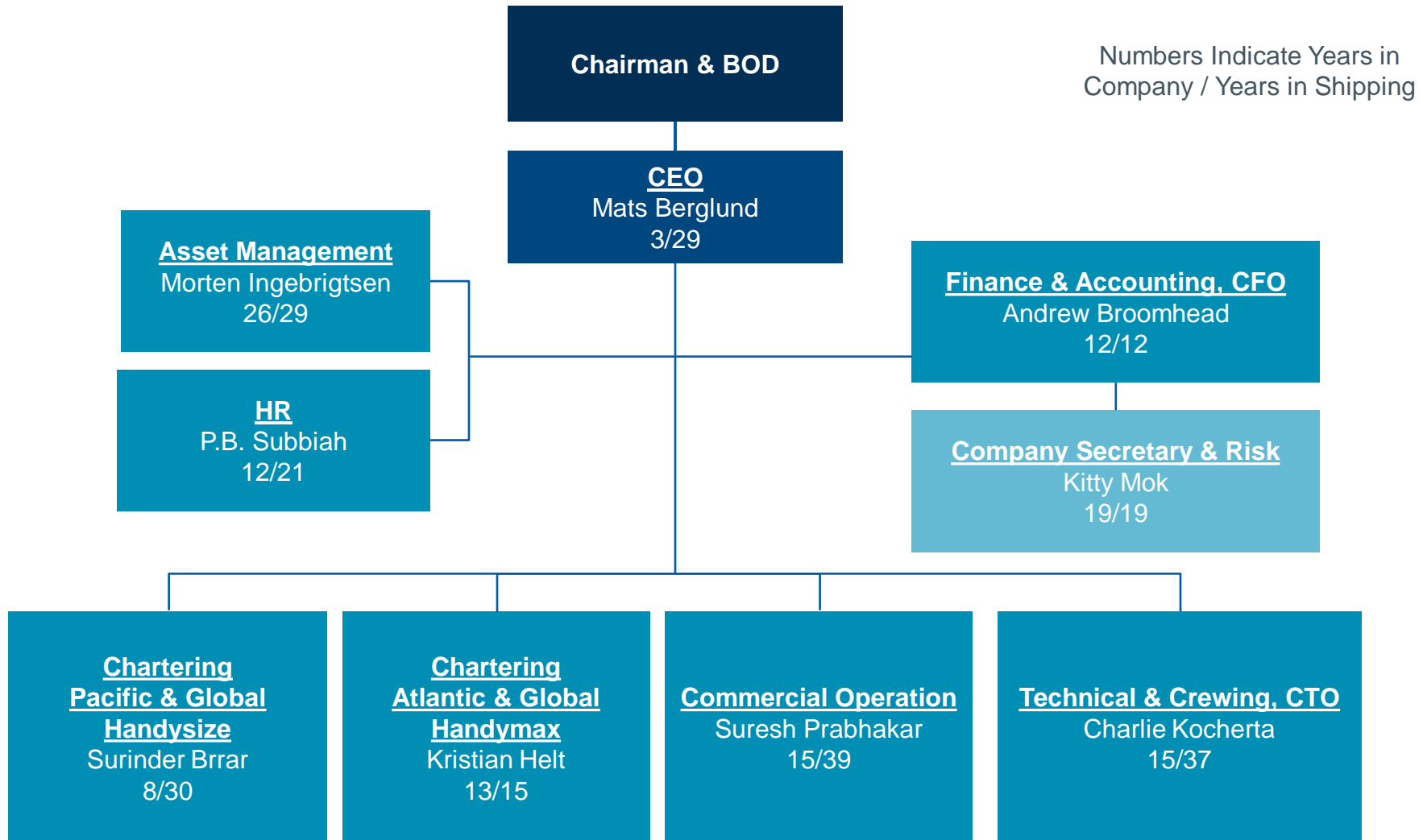
	Owned	Chartered	Total
Tugs	13	1	14
Barges	6	0	6
Others	1	0	1
<b>Total</b>	<b>20</b>	<b>1</b>	<b>21</b>

\* Excluding 1 RoRo ship with completion in Aug 2015

<sup>1</sup> Average number of vessels operated in Jun 2015



# Appendix: Experienced Management - Team



- **Applying sustainable thinking in our decisions and the way we run our business**
- **Creating long-term value through good corporate governance and CSR**

## Corporate Social Responsibility (CSR)

- Guided by strategic objectives on (i) workplace practices (primarily safety), (ii) the environment, and (iii) our communities (where our ships trade and our people live and work)
- Active approach to CSR, with KPIs to measure effectiveness
- Reporting follows SEHK's ESG Reporting Guide
- Disclosure also through CDP, HKQAA, CFR for HK-listed companies

[www.pacificbasin.com](http://www.pacificbasin.com)  
CSR report



## Corporate Governance & Risk Management

- Adopted recommended best practices under SEHK's CG Code (with quarterly trading update)
- Closely integrated Group strategy and risk management
- Transparency priority
- Stakeholder engagement includes in-depth customer and investor surveys
- Risk management committee interaction with management and business units
- Integrated Reporting following International <IR> Framework of IIRC

[www.pacificbasin.com](http://www.pacificbasin.com)  
Corporate Governance



- Towage activities significantly reduced after sale of harbour towage business and our shareholding in OMSA
- About US\$3.7m gain on disposal of our share in a bunker tanker

### Middle East:

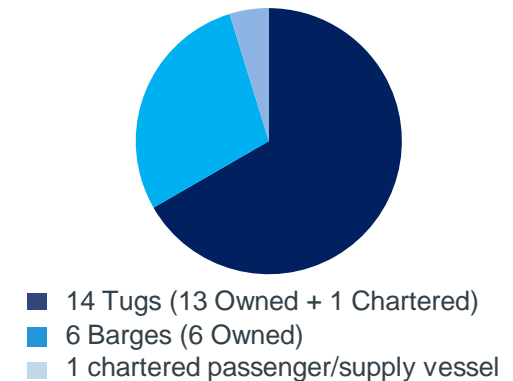
- Remaining towage assets are operating in the oil and gas and construction sectors in ME
- Low charter rates due to low oil price environment but partly offset by continued demand for tug and barge activity in offshore construction and land reclamation projects in UAE and Qatar

### Australasia:

- Two chartered-in vessels will redeliver later this year
- Remaining small tugs and barges in Australia are idle and being considered for sale
- Administrator's efforts to sell WDR have been unsuccessful - WDR announced bankruptcy in April 2015 with no likelihood of returns to unsecured creditors

	1H15 US\$ million
Towage net profit	1.4
EBITDA	2.2

**PB Towage Fleet: 21 vessels**  
(as at 30 Jun 2015)



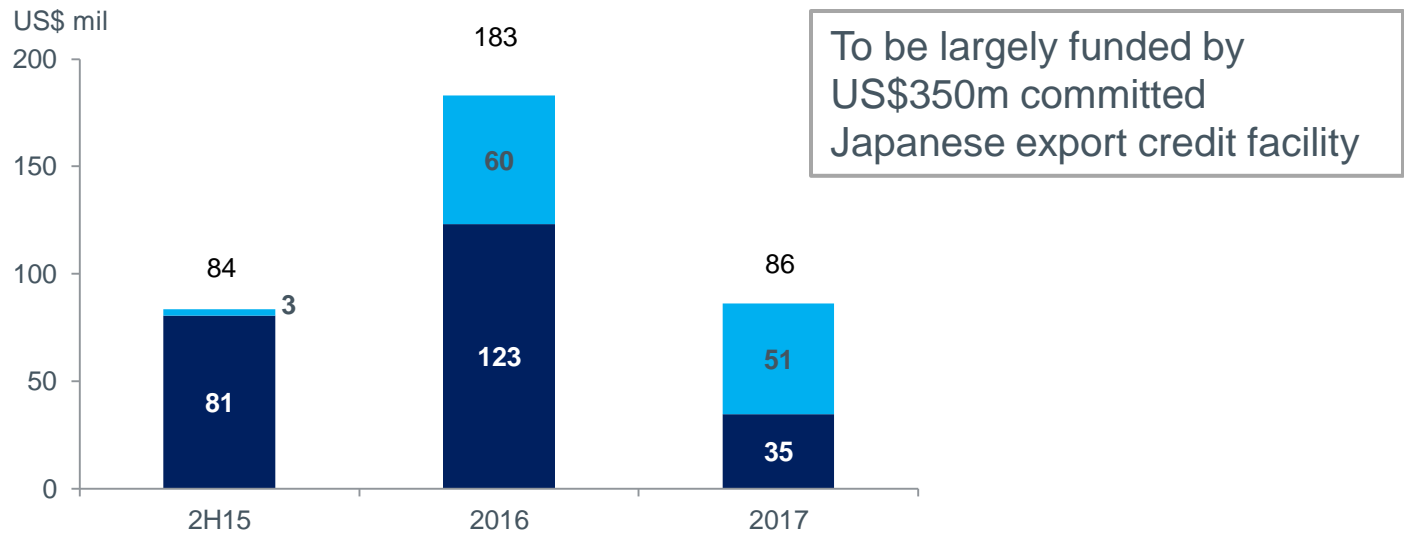
# Appendix: Vessel Operating Lease Commitments

As at 30 June 2015

	1H2015		2H2015		2016	
	Vessel Days	Average daily rate (US\$)	Vessel Days	Average daily rate (US\$)	Vessel Days	Average daily rate (US\$)
<b>Handysize</b>						
Long-term (> 1 year)	5,420	8,860	5,560	8,730	8,830	8,280
Short-term	4,930	7,110	1,060	7,520	180	8,800
Index-linked	4,470	5,870	2,320	<b>Market rate</b>	2,180	<b>Market rate</b>
<b>Total</b>	<b>14,820</b>	<b>7,380</b>	<b>8,940</b>		<b>11,190</b>	
<b>Handymax</b>						
Long-term (> 1 year)	1,820	10,210	2,030	10,280	3,300	9,090
Short-term	5,000	7,870	1,630	6,660	40	6,930
Index-linked	750	6,940	270	<b>Market rate</b>	–	<b>Market rate</b>
<b>Total</b>	<b>7,570</b>	<b>8,340</b>	<b>3,930</b>		<b>3,340</b>	

# Appendix: Vessels Commitments

**Total US\$353m**



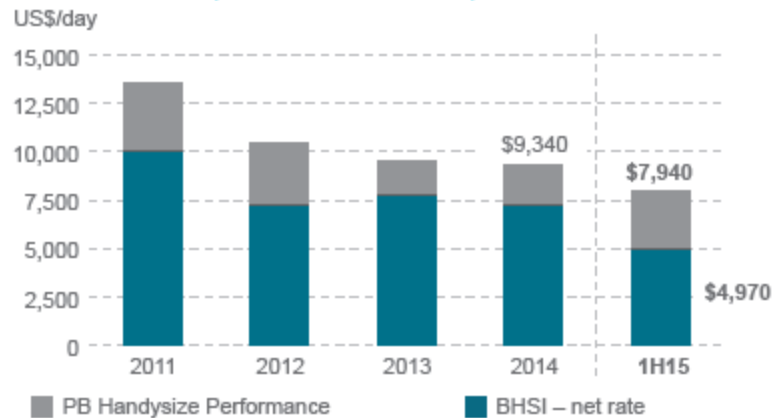
- Handysize x 12, US\$239m
- Handymax x 5, US\$114m

# Appendix: Historical earnings

## Performance vs Market KPI

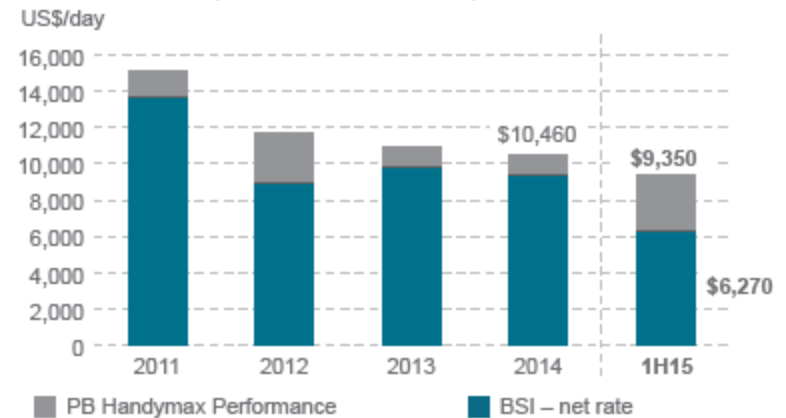
Handysize

**60%** 1H2015  
outperformance compared to market



Handymax

**49%** 1H2015  
outperformance compared to market

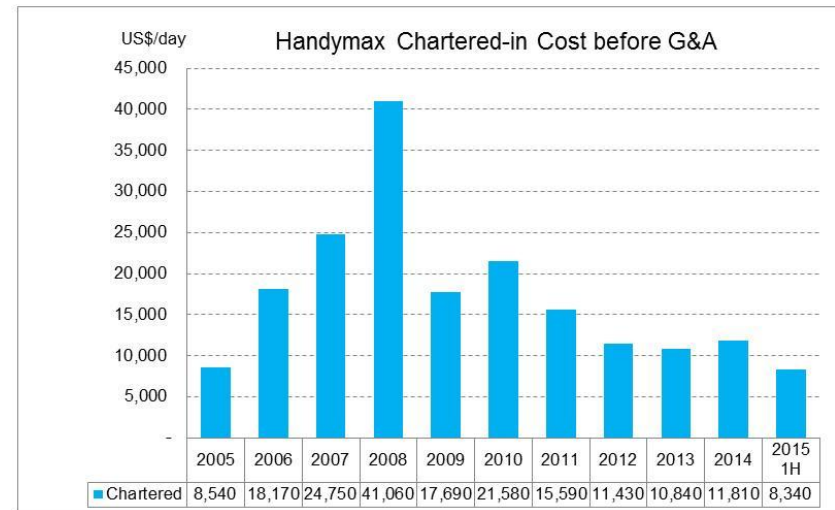
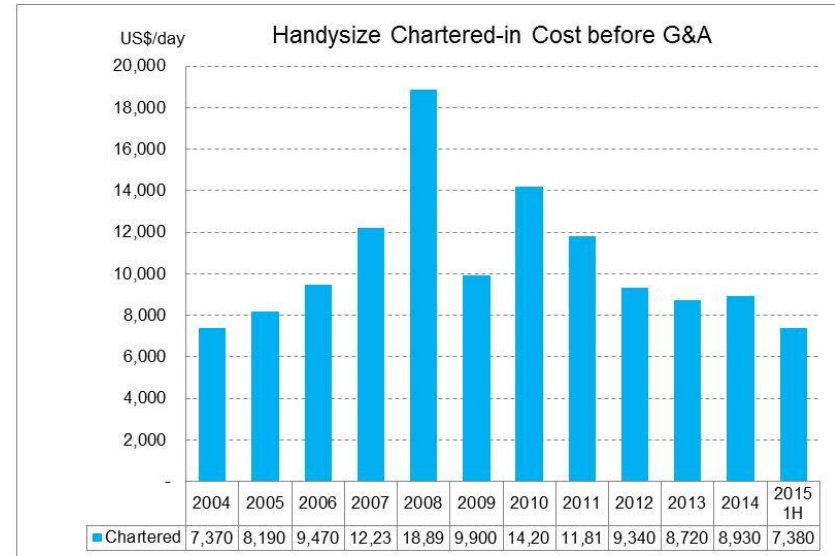
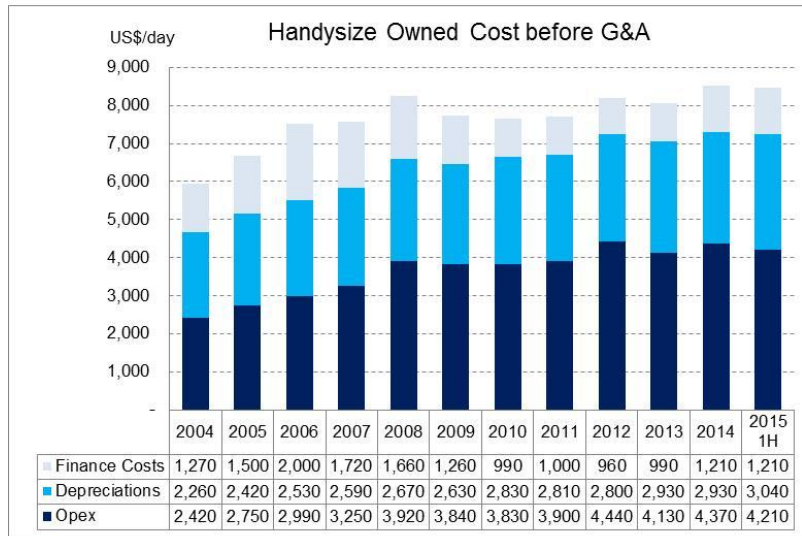


- Our 60% and 49% outperformance in first half 2015 compared to spot market indices reflects the value of our fleet scale and cargo book, and our ability to optimise cargo combinations and match the right ships with the right cargoes

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Annual Report – Key Performance Indicators

# Appendix: Historical Owned and Chartered-in Cost

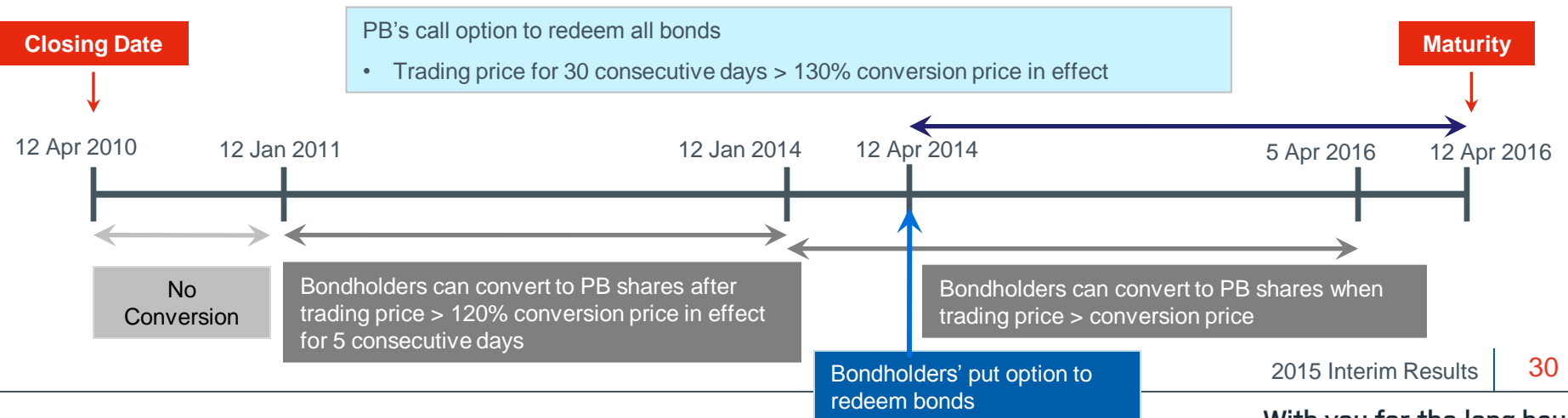




# Appendix: Convertible Bonds Due 2016

Issue size	US\$230 million (US\$20.5m face value put back and repaid on 14 April 2014; Remaining: US\$210m)	
Maturity Date	12 April 2016 (6 years)	
Investor Put Date and Price	12 April 2014 (4 years) at par	
Coupon	1.75% p.a. payable semi-annually in arrears on 12 April and 12 October	
Redemption Price	100%	
Initial Conversion Price	HK\$7.98 (Current conversion price: HK\$ 6.97 with effect from 27 April 2015)	
Conversion Condition	Before 11 Jan 2011:	No Conversion is allowed
	12 Jan 2011 – 11 Jan 2014:	Share price for 5 consecutive days > 120% conversion price
	12 Jan 2014 – 5 Apr 2016:	Share price > conversion price
Intended Use of Proceeds	To purchase the 3.3% Existing Convertible Bonds due 2013, then redeem the 2013 Convertible Bonds (now all redeemed & cancelled)	
Conditions	<ul style="list-style-type: none"> <li>Shareholders' approval at SGM to approve the issue of the New Convertible Bonds and the specific mandate to issue associated shares.</li> <li>If the specific mandate is approved by the shareholders at the SGM, the Company would not pursue a new general share issue mandate at the forthcoming AGM on 22 April 2010</li> </ul>	

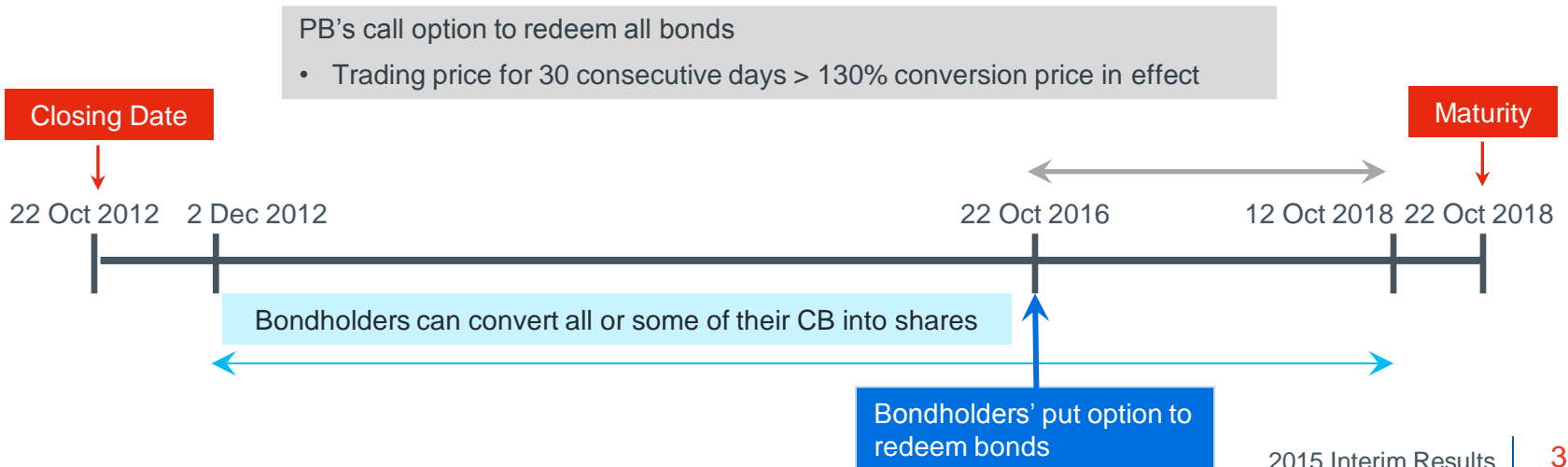
## Conversion/redemption Timeline



# Appendix: Convertible Bonds Due 2018

Issue size	US\$123.8 million
Maturity Date	22 October 2018 (6 years)
Investor Put Date and Price	22 October 2016 (4 years) at par
PB's Call Option	1) Trading price for 30 consecutive days > 130% conversion price in effect 2) >90% of Bond converted / redeemed / purchased / cancelled
Coupon	1.875% p.a. payable semi-annually in arrears on 22 April and 22 October
Redemption Price	100%
Initial Conversion Price	HK\$4.96 (current conversion price: HK\$4.75 with effect from 27 April 2015)
Intended Use of Proceeds	To acquire additional Handysize and Handymax vessels, as well as for general working capital

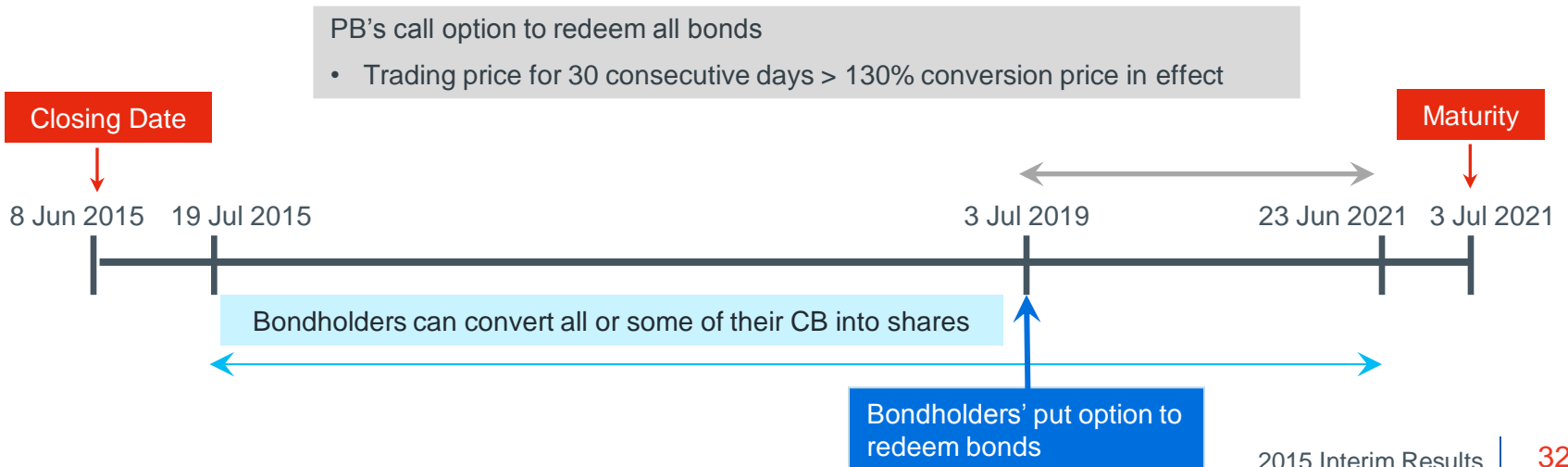
## Conversion/redemption Timeline



# Appendix: Convertible Bonds Due 2021





Issue size	US\$125 million
Maturity Date	3 July 2021 (approx. 6 years)
Investor Put Date and Price	3 July 2019 (approx. 4 years) at par
Coupon	3.25% p.a. payable semi-annually in arrears on 3 January and 3 July
Redemption Price	100%
Initial Conversion Price	HK\$4.08
Intended Use of Proceeds	To maintain the Group's balance sheet strength and liquidity and to continue to proactively manage its upcoming liabilities, including its Existing Convertible Bonds, as well as for general working capital purposes
Conditions	Shareholders' approval at a SGM to approve the issue of the new Convertible Bonds and the issue of new shares upon conversion of the new Convertible Bonds.


## Conversion/redemption Timeline



# Appendix: Understanding Our Core Market

**Our Focus**

Bulk Carrier Ship Types			Percentage of Global Dry Bulk Capacity	Versatility	Main Commodities Carried
Major bulks without cranes		<b>Capesize</b> 120,000+ dwt	40%	Less Versatile	<b>Major Bulks</b> <ul style="list-style-type: none"> <li>• Iron ore</li> <li>• Coal</li> <li>• Grains</li> </ul>
		<b>Panamax &amp; Post-Panamax</b> 65,000-120,000 dwt	28%		
Minor bulks with cranes		<b>Handymax</b> 40,000-65,000 dwt	22%	More Versatile	<b>Minor Bulks</b> <ul style="list-style-type: none"> <li>• Logs &amp; Forest Products</li> <li>• Agriculture Products</li> <li>• Fertiliser</li> <li>• Cement &amp; Cement Clinker</li> <li>• Bauxite</li> <li>• Alumina</li> <li>• Dross</li> <li>• Steel &amp; Scrap</li> <li>• Concentrates</li> <li>• Salt</li> <li>• Coal/Coke</li> <li>• Petcoke</li> <li>• Sugar</li> <li>• Other Bulks</li> </ul>
		<b>Handysize</b> 25,000-40,000 dwt	10%		

  
 Few ports, few customers, few cargo types, low scope for triangulation      Many ports, many customers, many cargo types, high scope for triangulation

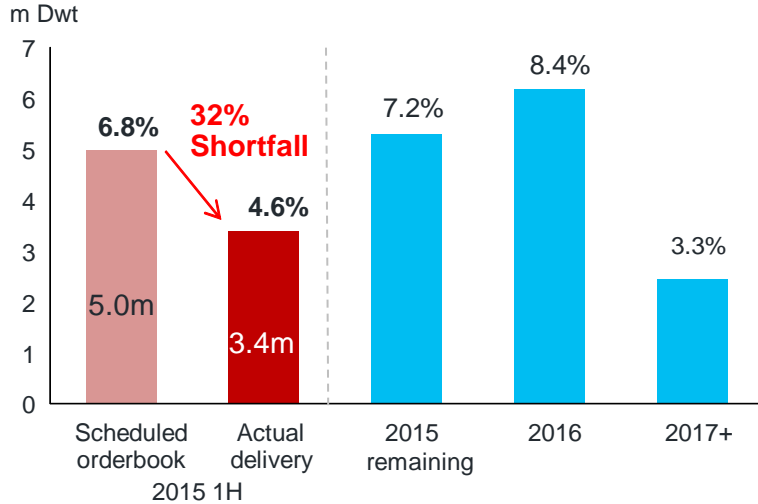


# Appendix: Dry Bulk Supply

## Pacific Basin

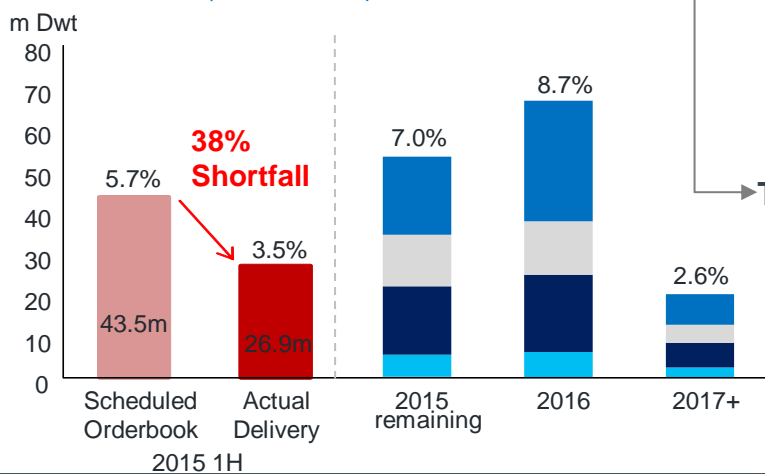
### Handysize Orderbook

378 vessels (13.9m dwt)



### Total Dry Bulk Orderbook

1,719 vessels (140.1m dwt)

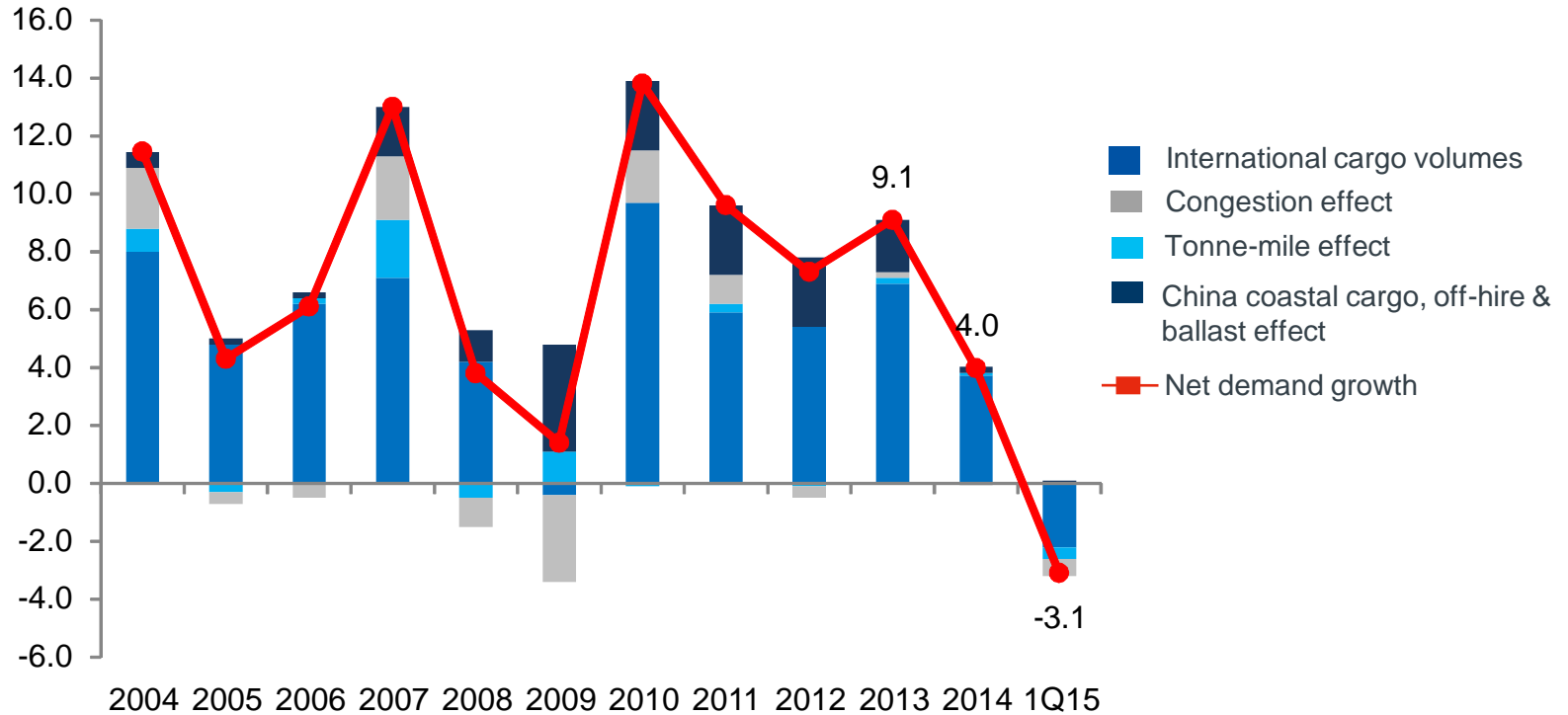


	Orderbook as % of Existing Fleet	Average Age	Over 25 Years	Scrapping as % of Existing Fleet (Annualised)
<b>Handysize</b> (25,000-39,999 dwt)	19%	9	9%	8%
<b>Handymax</b> (40,000-64,999 dwt)	24%	8	4%	2%
<b>Panamax</b> (65,000-119,999 dwt)	14%	8	2%	4%
<b>Capesize</b> (120,000+ dwt)	19%	8	1%	8%

**Total Dry Bulk >10,000 dwt**    18%    9    3%    5%

Source: Clarksons Platou, as at 1 Jul 2015

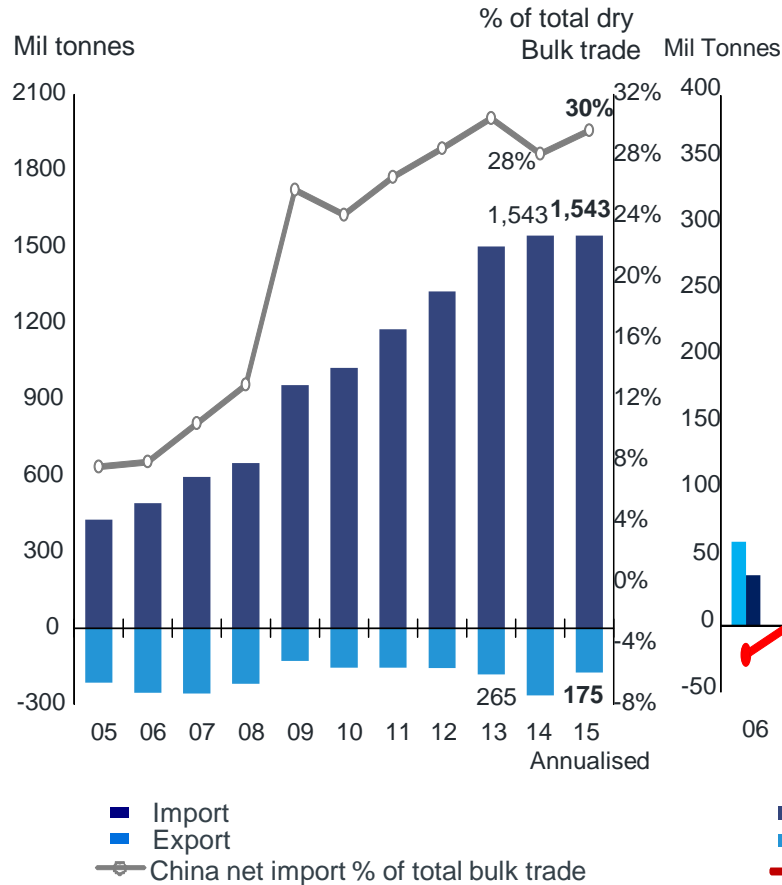
# Appendix: Dry Bulk Effective Demand



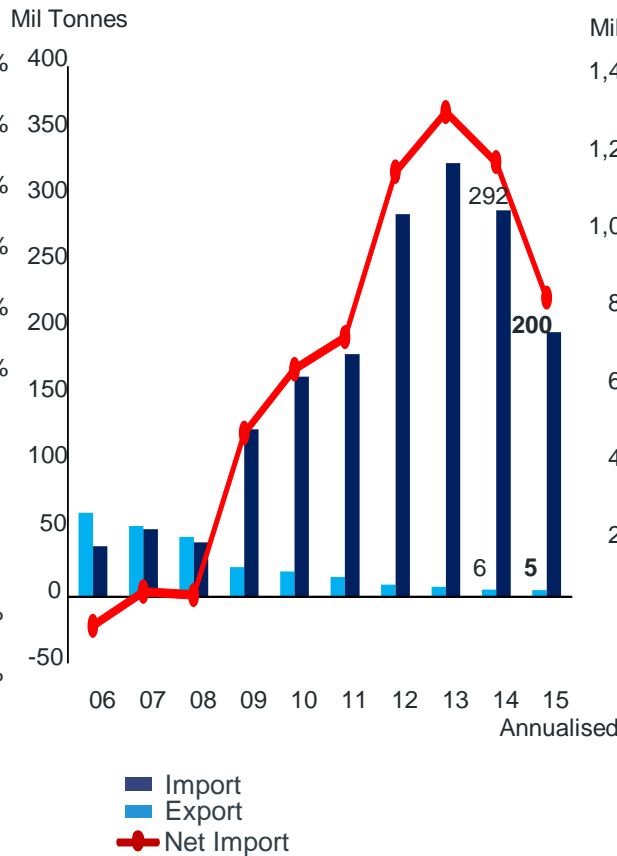
Source: Clarksons. Platou, Bloomberg

# Appendix: China Dry Bulk Trade, Iron Ore & Coal Demand

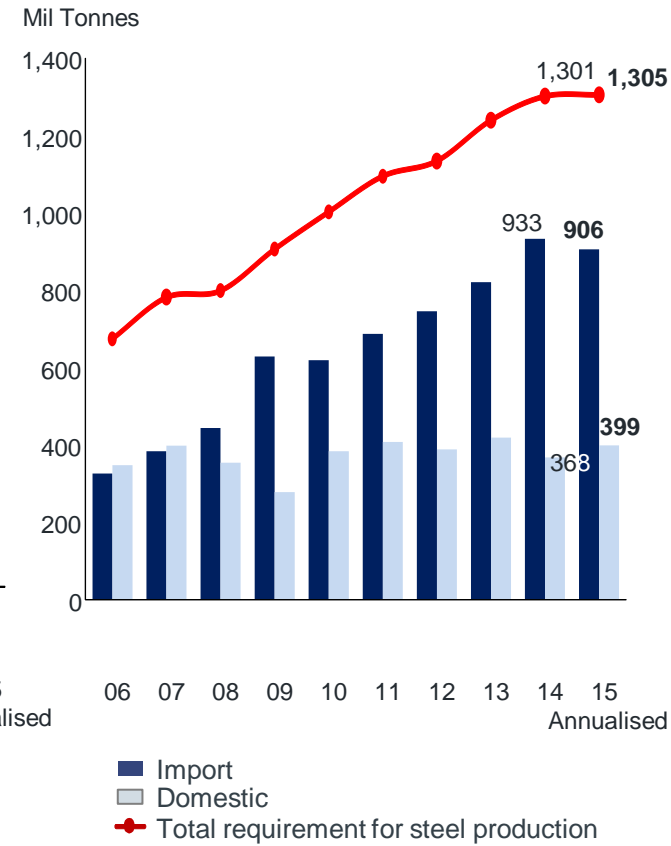
### Chinese Dry Bulk Trade Volume



### China Coal Demand



### China Iron Ore Sourcing for Steel Production



Source: Clarksons Platou, Bloomberg